INTRODUCTORY

Prior to the formation of Bharat Sanchar Nigam Limited (BSNL), the Department of Telecom Services (DTS), as a Commercial Department, was permitted to retain its revenues towards meeting its own expenditure. The working expenses and the Capital outlay of DTS were met from the recovery of revenues earned by operation of DTS network and thus DTS was not dependent on the budgetary support. Consequent upon the creation of BSNL, the revenue stream of DTS network stands transferred to BSNL. The working expenses and capital outlay on Telecom network, except for Centre for Development of Telematics (C-DoT) and Telecommunication Engineering Centre (TEC) have also been transferred to BSNL. The Budget Estimate (BE) of the Department of Telecommunications (DoT) for the year 2002-2003, therefore, includes the requirements of the Secretariat of the Ministry, Directorate of DoT, Wireless Planning and Coordination wing (WPC), Wireless Monitoring Organisation (WMO), International Cooperation, Telecom Regulatory Authority of India (TRAI), Telecom Dispute Settlement Appellate Tribunal (TDSAT), C-DoT, TEC, compensation to Public Sector Undertakings (PSU) and pension payments.

2. Statement showing provisions made in DoT Budget for the year 2002-2003 is as under:

Demand No. 13 ***(Rs. in crores)***

Revenue Section	
Plan	**Non-Plan**
182.00	3,187.92
Capital Section	
1.00	Nil
Total: 183.00	**3,187.92**

Total Grant : 183.00 (Plan)
3,187.92 (Non-Plan)

3,370.92
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3. The approved plan outlay of the Telecom Sector, including the PSUs, for the year 2001-2002 was Rs.20,298.84 crore with a budgetary support of Rs.165.00 crore. At the RE 2001-2002 stage the proposed plan outlay was reduced to Rs.18,932.40 crore including Rs.138.43 crore of budgetary support.

4. The approved plan outlay for 2002-2003 is Rs. 19,462.79 crore including budgetary support of Rs.185.00 crore.

5. The details of plan outlay for the year 2002-2003 has been stated to be as under:

(Rs. in crores)

Unit	IR	Bonds	Others	BS	Plan outlay	N/E Allocation
BSNL	7,692.00	3,502.00	2881.00*	1.00	14,076.00	486.00 #
MTNL	2,744.06	1,250.00	0.00	0.00	3,994.06	---
VSNL	1,135.73	0.00	0.00	0.00	1,135.73**	---
ITI	- 77.00 @	150.00	0.00	0.00	73.00	---
WMO	0.00	0.00	0.00	2.25	2.25	---
WPC	0.00	0.00	0.00	101.05	101.05	---
TRAI	0.00	0.00	0.00	1.5	1.5	---
TDSAT	0.00	0.00	0.00	0.2	0.2	---
TEC	0.00	0.00	0.00	4.0	4.0	---
C-DOT	0.00	0.00	0.00	75.00	75.00	---
Total	***11,494.79***	***4,902.00***	***2881.00***	***185.00***	***19,462.79***	***486.00***

IR – Internal Resources; BS – Budgetary Support; N/E – North-East;

* This includes reimbursement of Rs. 2,881 crore as licence fee and spectrum charges.

** VSNL has since been dis-invested and thus the plan size will be adjusted accordingly.

@ The Gross Internal Resources (retained profit + depreciation) of ITI for the year 2002-03 is Rs.129.00 crore but there is a provision of repayment of loan of Rs. 172.00 crore and accretion to working capital is Rs. 34.00 crore. Thus IR has been shown as Rs. (-77.00 crore).

+ 129.00 – 172.00 – 34.00 = -77.00

The provision of Rs. 486.00 crore is included in the plan outlay of BSNL.

A. Financial Allocation and Utilisation

(i) Wireless Planning and Corrdination (WPC)

6. It has been observed from a statement furnished to the Committee that the BE 2001-02 for Wireless Planning and Coordination (wing) was Rs. 95.00 crore which was reduced to Rs. 27.33 crore in RE 2001-2002, but again enhanced to Rs. 101.05 crore in the BE 2002-2003. Asked to state the reasons for such variations, the Secretary, DoT stated in evidence that what was intended to be spent in 2001-02 would be carried over to 2002-2003.

7. Being not satisfied with the reply, the Committee desired to know how WPC could not spend the allocated budget amount during 2001-2002. The Committee also wanted to know the projects for which WPC has been given Rs.101.05 crore in the BE 2002-2003 and whether the allocation would be sufficient to carry out its activities.

8. In reply, it was stated that WPC could not spend the allocated budget amount during 2001-2002 as order for procuring equipment could not be placed earlier due to (i) bidders requesting for more time to bid and (ii) clarifications being required from bidders on their bids.

9. It has further been stated that WPC is implementing the project for automation of "National Radio Spectrum Management and Monitoring System" under Telecommunications Sector Reforms Technical Assistance Project from the World Bank loan. The Project envisages automation of spectrum engineering and management functions as well as augmentation of the radio monitoring facilities to meet the large scale requirements of Private Service Providers and new technologies. The Project which has an outlay of Rs. 280 crore commenced in September, 2000 and is likely to be completed by 31 December, 2004.

10. WPC has been given plan allocation of Rs. 101.05 crore in BE 2002-2003 for the abovementioned project, against a projected demand of Rs. 202 crore. As the second stage bids have been opened, there is a realistic requirement of Rs. 150 crore approximately. Member (Finance), Telecom Commission has accordingly written a letter in February, 2002 to the Principal Adviser, Planning Commission to enhance the Budget Allocation for WPC at the RE 2002-2003 stage to the tune of Rs. 150 crore.

11. Asked to state the measures taken to ensure optimal utilisation of funds by WPC, it was stated that efforts were being made to place the order for procurement of equipment at the earliest, in consultation with the World Bank, so that funds could be effectively utilized.

12. The Committee observes that Wireless and Planning Coordination Wing (WPC) which has been engaged in an important project for automation of "National Radio Spectrum Management and Monitoring System" since September, 2000 was unable to spend the allocated budget amount of Rs. 95 crore for the year 2001-2002 as order for procurement of equipment could not be placed earlier due to (i) bidders request for more time to bid and (ii) clarifications required from bidders on their bids. That efforts are being made to place the order for procurement of equipments at the earliest for optimal utilisation of the allocated budget amount of Rs.101 crore during the year 2002-2003 is a matter of little consolation in view of the fact that such procedural delays should have been avoided in 2001-2002 also. However, since a commitment has been made to procure the equipment at the earliest, the Committee trusts that the Department will stand by its assurance not only for 2002-2003 but for the coming years also.

13. The Committee also notes that against a projected demand of Rs.202 crore, WPC has been given a budgetary support of Rs.101.05 crore whereas the actual realistic requirement is Rs.150 crore during the year 2002-2003. The Committee desires that the matter should be seriously pursued with the Planning Commission to bridge the gap of Rs.48.5 crore at the RE 2002-2003 stage so that the above mentioned important project which is slated to be completed by December, 2004 does not get stuck for want of funds.

(ii) <u>C-DoT</u>

14. The Committee has been informed that Rs. 75 crore has been provided in the BE 2002-2003 for the Centre for Development of Telematics (C-DoT) whereas in the RE 2001-02, the amount was Rs. 101 crore. Asked to state the reason for reduction in allocation in the BE 2002-2003 *vis-à-vis* the RE 2001-02, the Secretary, DoT clarified that the RE 2001-02 provision could not be fully utilised by C-DoT for which the BE 2002-03 has been lowered. The representative of C-DoT supplemented that the progress of the campus building at Chhattarpur had not been upto expectation due to which they were not been able to get the amount.

15. The Committee asked why the progress of the campus building at Chhattarpur could not be upto expectation. In reply, it has been stated that all technical inputs were received from the Architect Contractor's performance was not as expected till October, 2001, on account of financial crunch faced by him. However, as a result of continuous persuasion with the Contractor, the progress has started picking up since October, 2001.

16. Meanwhile the Architect stopped supplying details from August, 2001 on the plea that his claims had to be settled first. This stalemate was broken in January, 2002 and since then the Architect has also started supplying details.

17. To a specific query, it was replied that the total expenditure planned for technical (non-campus) activities of C-DoT was Rs.115.26 crore and the utilisation has been 85 percent. On campus activities the utilisation has been about 32 percent out of an allocated amount of Rs. 28.29 crore.

18. Asked to state the measures initiated to ensure optimal utilisation of the funds allocated for the year 2002-03, it was replied that in the C-DoT Project Board and Steering Committee deliberations, prioritisation of various projects has been done as a result of which focussed attention is being paid for better utilisation of funds.

19. The Committee is surprised to note that the RE 2001-2002 provision of Rs.101 crore could not be fully expended by C-DoT for which the BE 2002-2003 has been scaled down to Rs.75 crore. According to the Department, there was under utilisation of funds due to slow progress of the Campus Building at Chhattarpur which in turn is due to the financial crunch faced by the contractor and non-settlement of claims of the Architect. This sort of reasoning is not sustainable under any circumstances. It is high time the Department should take stringent possible measures against all those who tend to violate the contractual obligations and those who cause delay in implementation of important projects. The Committee categorically desires that the Campus building at Chhattarpur, which was to be completed by December, 2001 as per the last year's assurance, should be completed by December, 2002 as assured this time. In fact the Committee will like the whole process of campus building be looked into from all points including vigilance.

20. The Committee is unhappy to note that on C-DoT's campus activities the utilisation of funds during 2001-2002 has been about 32 per cent out of an allocated

amount of Rs.28.29 crore and on non-campus activities this utilisation has been 85 per cent against the allocation of Rs.115.26 crore. It is a matter of concern that C-DoT for whom the Committee has always been strongly impressing upon the Government for grant of adequate funds, could not fully utilise the allocated funds either in campus or non-campus activities. Focussed attention for better utilisation of funds, as has been decided in the C-DoT Project Board and Steering Committee deliberations, seems to be a step in right direction and the Committee desires that such focussed attention should not lose momentum at any point of time in order to enable the Research Organisation to utilise the funds appropriately in its mission for excellence.

(iii) <u>TRAI</u>

21. It has been observed from a statement furnished to the Committee that for TRAI the BE 2002-03 has been reduced to Rs. 1.50 crore from the RE 2001-02 amount of Rs. 4 crore. The Committee wanted to be apprised of the reason for such reduction.

22. In reply, it was stated that taking into account that two ongoing consultancies would be completed by June, 2002, TRAI has visualised that for the ongoing Projects and other new projects that would be taken up in the next financial year *i.e*. 2002-03, an amount of Rs. 2.92 crore would suffice. This projection of TRAI has been restricted to Rs. 1.50 crore by the Planning Commission. However, review would be made at the RE stage.

23. The Committee observes that for two on going projects and some other new projects that will be taken up in 2002-2003, TRAI requires an amount of Rs.2.92 crore. But the Planning Commission has restricted the projection to Rs.1.50 crore and a review would be made at the RE stage. The Committee desires that the Department should earnestly pursue the matter with the Planning Commission so that TRAI gets the required amount at the RE 2002-2003 stage for timely completion of the projects.

(iv) <u>BSNL</u>

24. The Committee earlier expressed its apprehension that by the creation of BSNL, the implementation of socially desirable activities such as rural telephony which are undertaken at the behest of the Government, was likely to impair the viability of BSNL and directed that a

suitable package be devised to ensure that BSNL's profitability was not affected by such activities.

25. Pursuant to this directive, the matter was taken up with the Planning Commission. The Commission in their letter dated 30 January, 2002 agreed to provide Rs. 720 crore in 2001-02 for BSNL's village public telephony programme and asked DoT to take up the matter with the Finance Ministry for including the same in RE 2001-02. However, this support has not been included in RE 2001-02 by the Finance Ministry.

26. Even as the matter of Plan support for the year 2001-02 was under discussion with the Planning Commission, the Annual Plan 2002-03 had to be finalised. As Plan support for 2001-02 was still expected from the Government, no additional provision was made in the Annual Plan BE 2002-03 for spill over requirements from 2001-02 (only a token provision of Rs.1crore has been made). As events turned out, the Plan support for 2001-02 to BSNL did not materialise. In the meanwhile, BSNL has gone ahead with the execution of the VPT programme from its own internal and extra budgetary resources.

27. The Committee asked the representatives of BSNL about the next course of action. It was replied that the Ministry of Finance has again been requested to provide the amount of Rs.720 crore in the first batch of Supplementary grants for the year 2002-03 and to increase the support for the year 2002-03.

28. A perusal of the Budget documents revealed that BSNL would be reimbursed Rs.2,300 crore in the year 2002-03 towards rural telephony. In this context, drawing attention towards its last year's Report on Demands for Grants, wherein it had been observed that BSNL would be required to bear an additional financial burden of Rs. 4,775 crore in the form of various Government levies, the Committee pointed out that even after reimbursement of Rs. 2,300 crore, BSNL will have to bear a financial burden of Rs. 2,475 crore and asked what action was contemplated to give further fiscal relief to BSNL.

29. In reply, it was stated that the loss anticipated last year (Rs. 4,775 crore) would be even higher *i.e.* around Rs. 5,800 crore to Rs. 5,900 crore on account of upward revision of the estimate of licence fee payable by BSNL and the inclusion of pension contribution liability. Therefore, in addition to reimbursement of Rs.2,300 crore each in 2001-02 and 2002-03 towards rural telephony to be paid from the licence fee payable by BSNL in these years, the following additional reliefs have been extended:

(a) Moratorium on repayment of principal loan (of Rs.7,500 crore) and payment of interest upto 31 March, 2004;

(b) Exemption from payment of 9 percent dividend on preference share capital (Rs. 7,500 crore) upto 31 March, 2004 and on equity share capital (Rs. 500 crore) upto 31 March, 2002 as well as waiver on dividend due on equity @ 50 percent and 25 percent for the year 2002-03 and 2003-04 respectively; and

(c) Extension of the facility of concessional Central Sales Tax of 4 percent on all procurements.

30. The Secretary, DoT further stated in evidence that in terms of money the total relief given to BSNL would be Rs. 6,145 crore (approx.) whereas the fiscal relief sought by the Company was Rs. 8,384 crore.

31. Asked to furnish the details in this regard, the following statement was furnished to the Committee:-

(Rs. in crores)

	Total relief sought by DoT	***Total relief agreed to for 2001-02***	***Difference***
Loan and Interest	1,650	1,650	--
Dividend	1,175	1,175 @	--
Sales Tax	300	300 @ @	--
Excise Duty	50	--	50
Reimbursement of licence fee and spectrum charges	2,683	2,300	383
Plan Support	2,526	--*	2,526
Total	***8,384***	***5,425***	***2,959***

* Proposal for inclusion of Rs. 720 crores as Plan support in the first supplementary Demands for Grants 2002-2003 under consideration.

@ Dividend on equity of Rs. 5,000 crore at the rate of 10% *i.e.* Rs. 500 crore + dividend on preference share capital of Rs. 7,500 crore at the rate of 9% *i.e.* 675 crore.

@@ Will be available after passage of Finance Bill, 2002.

32. Referring to another document, wherein it has been mentioned that with Plan support BSNL would be able to provide 430 (lakh line) DELs during the Tenth Plan period (2002-2007) whereas without such support it can provide 367.67 (lakh lines) DELs, the Committee asked about the measures taken by DoT in convincing the Planning Commission and the Ministry of Finance to accord necessary Plan support to BSNL.

33. It was replied that the Department had strongly pleaded for providing support to BSNL from the Government in the Secretary level meeting held on 29 January, 2002 in the Planning Commission for finalisation of Plan outlay. But the Secretary, Planning Commission did not agree to it as he was of the view that provision of telecom services either in urban or rural areas should not be subsidised. The case has again been taken up on 1 March, 2002 with the Deputy Chairman, Planning Commission through the Minister for providing plan support to BSNL.

34. The Committee asked what would happen if the Plan support did not materialise. The Secretary, DoT replied that in that event the component of 5 percent of licence fee in USO fund has to be increased.

35. The Committee notes that the additional financial burden of Rs.4775 crore on BSNL for the preceding year will be even higher this year, namely around Rs.5,800 to 5,900 crore on account of upward revision of the estimate of license fee payable by BSNL and inclusion of the liability for pension contribution. It is pertinent to mention that the total relief sought by the Company in terms of money for the year 2001-2002 was Rs.8,384 crore whereas the actual relief agreed to by the Government is Rs.5,425 crore. Although a number of relief measures like reimbursement of Rs. 2,300 crore towards license fee, moratorium on repayment of principal loan (Rs.7,500 crore) and payment of interest upto 31 March, 2004, extension of the facility of concessional Central Sales Tax of 4 per cent on all procurements etc. have been accorded to the Company, there would still be a gap of Rs.2959 crore i.e., Rs.50 crore towards excise duty, a difference of Rs.383 crore towards reimbursement of license fee and spectrum charges and Rs.2526 crore towards Plan

support. It is also worth mentioning that although the Department had asked for a plan support of Rs.2526 crore in the year 2001-2002 for the rural and VPT programme of BSNL, the Planning Commission agreed to provide only Rs.720 crore and even that reduced amount has not been included by the Ministry of Finance in the RE 2001-2002. Although the Finance Ministry has again been requested to provide Rs.720 crore in the first batch of the supplementary grants for the year 2002-2003, it seems to be uncertain at the moment. And even if that amount is included in the supplementary grants, there would still be a gap of Rs.2239 crore which is certainly going to impair very seriously the viability of BSNL in the coming years.

36. **In this context, the Committee can not but refer to the fact that without Plan support, BSNL would be able to provide 367.67 lakh DEL's against the Tenth Plan target of 430 lakh lines. Taking into consideration the view of the Planning Commission that provision of telecom services either in urban or rural areas should not be subsidised, it is apparent that BSNL has to go ahead without plan support and there would be a shortfall of approximately 63 lakh lines. Needless to mention, it would have an adverse effect upon the objectives of NTP 99 besides casting a poor reflection upon the performance of the company. Therefore, responsibility lies with DoT to strongly plead for Plan support for BSNL failing which other measures like increase in the five per cent component of the USO fund may be taken recourse to so that viability of the company is not impaired because of implementation of socially desirable but uneconomic activities that have been undertaken at the behest of the Government. It is a matter concern that although the problem of non-availability of adequate resources for BSNL, after computerisation was clearly apprehended and although assurances were given that adequate financial provisions would be made, no effective steps have been taken and as a result not only BSNL will be a loss-making company, its social objectives will not be fully implemented.**

B. Policy Highlights

(i) New Agreement with Basic Service Operators (BSOs)

37. As is known, after the formation of BSNL, the Department of Telecommunications has discarded its direct responsibility of a service provider and has been attending to functions relating to only policy matters and also to oversee the functioning of the PSUs under its

administrative control. In this context, the Committee was apprised that the policy highlights of DoT during the year 2001-2002 *inter-alia* grant of included permission to a fourth cellular operator to start operation in each of the four Metros and 13 Circles; signing of 25 new basic service licence agreements with Private Basic Service Operators; introduction of Wireless in Local Loop (WLL) for basic telephone services in urban, semi-urban and rural areas etc.

38. The Committee asked whether signing 25 new agreements with the Basic Service Operators (BSOs) could be construed as an achievement on the part of the Department or whether any specific measures were contemplated to make them perform in view of their poor performance in providing Village Public Telephones (VPTs) since their inception. It was stated that the signing of 25 new agreements with Basic Service Operators could be construed as an achievement on the part of the Department as it would facilitate competition in various service areas.

39. To substantiate its statement, the Department stated that at the end of February, 2002, the BSOs had 1,20,162 subscribers which increased to 2,30,072 as on 28 February, 2001 and to 5,20,984 as on 28 February, 2002.

40. The Department, however, agreed that the performance of Private Basic Service Operators has not been satisfactory so far in respect of provisioning of VPTs is concerned. Therefore, they have been clearly told that the present state of affairs with respect to provisioning of VPTs is not acceptable to the Department and that some tangible results are to be shown by them by the middle of June, 2002.

(ii) <u>WLL and Limited Mobility</u>

41. Referring to another policy highlight *i.e.* introduction of Wireless in Local Loop (WLL) for basic telephone services in urban, semi-urban and rural areas, the Committee desired to know about the Circles where WLL service has been introduced as on 31 January, 2002 and also the future plans and projections in this regard with special reference to rural and remote areas.

42. It was replied that BSNL has provided WLL services in the Circles of Assam, Bihar, Himachal Pradesh, Madhya Pradesh, North-East, Orissa, Uttar Pradesh (East), Uttar Pradesh (West) and West Bengal. Provision of such services are being planned in Andaman and Nicobar Islands, Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra and Rajasthan. In

Maharashtra and Rajastan, the private Baisc Service Operators have also provided some VPTs based on WLL system.

43. The Committee then asked about the progress of 'limited mobility' through WLL and desired to know the feedback obtained with regard to customer satisfaction where the service has already been introduced. It was replied that the limited mobility service has been launched by BSNL, MTNL and three Private Basic Service Operators. BSNL has introduced it in 17 cities of 14 Circles while MTNL has started the service in Delhi and Mumbai. The total number of subscribers is stated to be around 88,000 and their response towards the service was stated to be good.

44. The Committee further asked about the future plans in view of the TDSAT's recent nod to basic operators to go ahead with the limited mobility service. The Department replied that with the recent TDSAT judgement, the basic operators would be formulating their future plans in this regard details of which were not available with the Department.

45. Limited Mobility service has been launched with the twin motive of increasing tele-density of the country as well as to expand telecom services to rural and Technically Non-Feasible (TNF) areas. But a number of representations has been received from individuals/organisations/NGOs where the petitioners have expressed their apprehension/dissatisfaction over the tariff structure fixed for the limited mobility service which according to them is not going to attract the potential low end users, rather those who are having the full mobile service will take additional advantage of limited mobility to the high Air time cellular service.

46. The rental for limited mobility service has been fixed at the floor price of Rs.450/- and the ceiling price of Rs. 550/- whereas the fixed line rentals attract a minimum Rs. 450/- per two months and the full pledged cellular service Rs. 399/- (approx.) per month. In this context, the Committee asked whether such a higher rental would find favour with the low-end users. The Secretary, DoT responded that the matter has been taken up twice with TRAI and the Regulatory Body is in the process of reviewing the rental floor prices of limited mobility.

(iii) Universal Service Obligation (USO)

47. The Committee has been informed that the provision of universal service in rural areas is not remunerative due to heavy capital investment and low returns. Under the circumstances,

most operators would hesitate to provide rural telecom facilities unless firm and clear financing arrangements are made available in a timely manner. There is, therefore, a need to find resources to support these operators.

48. The Committee asked what could be the possible methods to raise resources for the operators. It was replied that one of the methods to raise resources for meeting the Universal Service Obligation could be through a universal service levy (USL). The Telecom Regulatory Authority of India (TRAI) has already recommended 5 percent of adjusted gross revenue of all telecom carriers or operators as USL to support the Universal Service Programme in the first phase. This will be a part of the licence fee payable by the telecom operators.

49. To a specific query, the Committee was apprised that as per the projections made by the Working Group on the Telecom for the Tenth Five Year Plan, approximately 14.72 million lines are to be added in rural areas requiring an investment of Rs.44,160 crore to achieve a rural tele-density of 7 per 100 people by the end of the plan.

50. It was further stated that the total USL expected in 2002-2003 would be approximately Rs.1,800 crore. As per the Report of the Working Group on the Telecom Sector for the Tenth Five Year Plan, the investment in rural telephony for the year 2002-2003 would be Rs. 5,640 crore. Thus, there is a gap of Rs. 3,840 crore in 2002-2003 itself. Moreover, the total investment required for rural telephony envisaged in the Tenth Plan would far exceed the amount of collections that would be possible in the USO Fund.

51. To a specific query of the Committee as to what would be the total requirement during the Tenth Five Year Plan for undertaking all the activities *i.e.* VPTs, DELs, OFC etc., the Secretary, DoT replied that the total requirement would be Rs. 166,000 crore the break-up being Rs. 122,000 crore from PSUs and Rs. 44,000 crore from the Private Sector. He further stated that there would be a gap of Rs. 20,000 crore (approx.) if licence fee is not ploughed back.

52. Asked to state how that gap has to be bridged if the licence fee etc., are not ploughed back, the Secretary, DoT responded that the component of five percent in the USO fund has to be increased.

53. In response to another query, it was replied that the guidelines formulated for implementation of Universal Service Support state that the funds created by the USL shall be spent in rural and remote areas on both the public access telephones or community telephones meant for public use and individual household telephones in net high-cost rural/remote areas.

54. Moreover, the Universal Service Support shall be reimbursed on the basis of the actual physical performance. Such reimbursements shall be made on completion of the targets and after necessary verification of the same. Liquidated damages shall be imposed in accordance with devised scheme for any shortfall in the achievement of targets.

55. A separate fund for crediting the receipts towards USO is being set up and will be administered by DoT.

(iv) <u>Duty Structure</u>

56. The Committee desired to know about the measures taken in this year's budget to encourage indigenous manufacture of telecom equipment. In response, it was stated that the following measures have been taken in the recent budget for the purpose.

(i) Zero duty regime for ITA products including telecom has been extended from 2003 to 2005.

(ii) Provision in the Finance Bill to amend the Sales Tax Act to allow Telecom Sector to issue Form 'C' for the purpose of Sales Tax.

(iii) Reduction in the Customs duty on parts of pagers and Trunking Terminals to 5 percent

(iv) Continuation of zero duty for manufacturing of parts of cellular phones (However, for others, a duty of 5 percent has been added).

57. In reply to a query in this regard, the Committee has been informed that as per the Information Technology (ITA-I) of WTO, the equipment used in the ITA and Telecom Sectors have to face zero duty regime in the year 2005. At that time, input of all the finished products (217 in all) under ITA-I will be at zero duty. Presently, the average duty on ITA products is 15 percent and their inputs attract duty ranging from zero to 25 percent. Thus, when the duty on finished products will be zero percent, if the inputs remain at the existing level, an inverted tariff structure will be created. Moreover, with the duty on capital goods being at 25 percent, manufacturing of products, covered under ITA-I is not viable.

58. The Committee asked what action has been taken by the Department for the survival of indigenous telecom manufacturing sector as well as to make it competitive to face the challenge of zero duty regime. It was replied that DoT had recommended various measures including modification of the Electronic Hardware Technology Park (EHTP) scheme. Under the scheme, the following recommendations have been made:-

(a) Import of goods, including Capital goods required for the manufacture of a product covered under ITA-I, may be allowed without payment of any custom duty;

(b) Such import may carry an export obligation of 10 percent of the CIF value of total imports and the same to be met within a period of five years;

(c) There may be no customs bonding and all imports may be based on self-declaration/certification basis;

(d) After meeting export obligation as (b) above, DTA sale may be permitted on payment of 50 percent of applicable duties.

59. As regard the fate of these recommendations, the Committee was apprised that since the implementation of the above scheme would require amendment in the Export-Import policy, the matter is under consideration of the Department of Commerce.

60. In a subsequent evidence, the Secretary, DoT apprised that the recent Exim Policy has addressed most of the above problem and a parallel notification is expected from the Department of Commerce.

C. **Tax Holiday**

61. The Committee has been informed that under Section 80-IA, exemption of Income Tax is available to an Undertaking which has started or starts providing telecommunication services after 1 April, 1995 but before 31 March, 2003.

62. The logic of extending these benefits to the telecom sector was stated to be basically to attract new investments by reducing tax liability, as the sector requires heavy investment with long gestation period. Almost all the private sector companies have started the service after 1 April, 1995 and therefore, they are getting the benefit whereas even though the PSUs like MTNL and BSNL have been making heavy investments to expand the telecom infrastructure in the country, they are not getting the benefits under Section 80-IA. As such it violates the basic principle of providing level playing field.

63. Asked to state the action taken by DoT to provide relief to the PSUs, it was replied that the Department took up the matter with the Ministry of Finance but its recommendations did not find favour.

D. **Pension to BSNL Employees**

64. A perusal of the Budget documents revealed that under the major Head 2071 the entire pension payment i.e., Rs.800 crore for the year 2002-2003 has been mentioned against the pension contribution receivable from BSNL. In other words, BSNL will be meeting the full cost of pension payment which was to be made by the Government.

65. The Committee has received a representation from the BSNL Employees' Union whereas it has been stated that at the time of corporatisation of the erstwhile Department of Telecom Services into a Public Sector Undertaking i.e., BSNL, it was assured and agreed to by the Department of Telecommunications that pension would be paid by the Government even to those employees of BSNL who would retire in due course. Accordingly, the CCS(Pension) Rules, 1972 was amended. But in the recent Budget, as mentioned above, BSNL will have to meet the full cost of the pension payment due, to be made by the Government.

66. The Committee asked the views of the Department on the matter. It has been stated that at the time of corporatisation of BSNL, the Government issued an amendment to CCS (Pension) Rules, 1972 and introduced Rule 37A. As per sub rule 21 of the rules ibid, in the case of conversion of DTS and DTO into BSNL, the pensionery benefits including family pension of the former Government employees absorbed in the new corporation, shall be paid by the Government. Sub Rule 22 states that the Government shall specify the arrangements and manner including the rate of pensionery contributions to be made by BSNL and the manner in which financial liabilities on this account shall be met. The above arrangements shall be applicable to the existing pensioners of DoT also.

67. The Ministry of Finance has, however, taken a view that since the liability on account of pension used to be met out of the revenue streams of the erstwhile DTS and that since these revenue streams have now passed on to the BSNL, the company is liable to pay the entire amount of pension liability not only for those employees who are absorbed in the BSNL, but for existing pensioners also, so that there is no miss-match of cash flows.

68. The Department has taken the stance that pension payments which are the Government's liability cover pension for existing pensioners of the erstwhile DTS, as well as that of the Government employees who will retire from year to year after taking absorption in the BSNL. Pension contribution, on the other hand, has to be paid by BSNL for the working employees as per rates prescribed in the Fundamental Rules. These two sets of figures are independently derived and can not be a perfect Match.

69. The Committee observes that during the year 2001-2002, 25 new agreements have been signed with Private Basic Service Operators (BSOs) and the Department considers it as an achievement on the ground that it will facilitate competition in various service areas and that the subscriber base has increased to 5,20,984 as on 28 February, 2002 against 1,20,162 that was on 29 February, 2000. The Committee agrees that it may be an achievement to the extent of facilitating competition. But increase in the number of subscribers, most of whom are obviously urbanites, cannot be construed as an achievement as performance of these private operators in providing rural telephony, especially VPTs, is far below their commitment made in licence agreement. Although the Department has asked them to show some tangible results by the middle of June, 2002, the Committee wonders whether that would materialise in view of their past records. The DoT after collecting the liquidated damages of Rs. 53 crore as reported by this Committee in its 22nd Report on Demands for Grants 2001-2002, left it to their sweet will whether to provide rural telephony or not and if at all they decide to provide, they would choose the right time. No drastic action of cancellation of licence is though of by the DoT for their willful neglect of rural areas. The Committee urges the DoT to consider drastic step against Private Basic Operators who are not fulfilling their commitments. Thus, if the Department considers signing of new agreements as an achievement, it has to make the Private Operators fully perform their agreed social obligation.

70. The Committee notes that BSNL has provided WLL services in the Circles of Assam, Bihar, Himachal Pradesh, Madhya Pradesh, U.P (East) & (West), West Bengal, Orissa and North-East. Provision of such services are being planned in A&N islands, Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra and Rajasthan. In view of the trouble free nature of WLL services *vis-à-vis* the traditional wireline services, the

Committee desires that the WLL service should be introduced in all the Circles, with a view to cover rural, remote and hilly areas, at the earliest.

71. The Committee observes that BSNL has started the WLL limited mobility service in 17 cities of 14 circles and MTNL has done the same in its areas of operation i.e., Delhi and Mumbai. The subscriber base of limited mobility is around 88,000 and their response towards the service has been good, according to the Department. The Committee desires that the service which has been launched with the twin motive of increasing tele-density and expanding telecom services to rural and TNF areas, may be introduced in other urban, semi-urban and rural areas. A proper survey should also be made to gauge the customer satisfaction towards the new service.

72. In this context, the Committee has reservations whether the service will be as popular in rural areas as it may be in metropolitan urban areas. That is because the rental for limited mobility service has been fixed at the floor price of Rs.450/- and the ceiling price of Rs.550/- whereas the fixed line rentals attract and minimum rent of Rs.450/- per two months and the full fledged cellular service Rs.399/- (approx.) per month. The Committee finds that the matter has been taken up with TRAI which is in the process of reviewing the rental floor prices of limited mobility service. In view of the fact that affordability and availability of the service is of great significance to rural people, the Committee trusts that TRAI will come out with a reasonable decision so that the purpose of launching the service is well served.

73. The Committee notes that one of the methods to raise resources for meeting the Universal Service Obligation (USO) is through a Universal Service Levy (USL) i.e., 5 per cent of adjusted gross revenue of all telecom carriers or operators regarding which TRAI has already given its recommendations. The Committee also notes that during the Tenth Plan Period there would be a gap of approximately Rs.20,000 crore for the Department in undertaking all the required activities i.e., VPTs, DELs, OFC etc if the license fee etc. are not ploughed back. In the year 2002-2003, the total investment required in rural telephony would be Rs.5,640 crore approximately whereas the total USL expected in the same year would be approximately Rs.1,800 crore as per the Report of the working Group on the Telecom Sector. Thus, there will be a gap of Rs.3,840 crore in 2002-2003 itself. In order to bridge this gap, the component of 5 per cent USL has to be increased in case the license fee

is not ploughed back. In view of the fact that operations of telephony in rural areas is not remunerative due to heavy capital investment and low returns, the Committee feels there is a need to find resources to support these operators in their efforts to provide rural telecom facilities in accordance with Government policies. Responsibility, therefore, lies with the Department and TRAI to find out suitable ways and means so that rural telephony programme gets a fillip.

74. But while providing universal service support to the operators, the actual performance of the operators should be strictly kept in mind, so that it may tally with the guidelines prescribed in this regard.

75. The Committee notes that by the year 2005 all the finished products (217 in all) under Information Technology Agreement (ITA-I) will come under at zero duty classification. However, while the duty on finished products will be zero per cent, their inputs will attract duty ranging from zero to 25 per cent, that is what existing now. Thus, an imbalance will be created in the tariff structure. In order to address the concern of indigenous manufacturers, the Committee finds that the Department has recommended several measures including modifications of the Electronic Hardware Technology Park (EHTP) scheme. It is also learnt that the recent Exim Policy has attempted address the problem to some extent. The Committee trusts that such an inverted tariff structure will be avoided with a view to encouraging indigenous manufacture of telecom equipment.

76. The Committee observes that almost all the Private Sector Companies who have started their service after 1 April,1995 are getting the benefit of exemption from Income Tax under Section 80-IA whereas BSNL and MTNL have been denied such benefits on the ground that they have started their service prior to the benchmark date. Although the Department took up the matter with the Finance Ministry, it did not find favour. The Committee urges the Government to extend the benefit to the public sector telecom undertakings also by suitably amending Income Tax Act as it may lead to violation of the basic principles of level playing field. The Committee, therefore, recommends DoT to again take up the matter with the Ministry of Finance at the highest level so that MTNL and BSNL, which have invested heavily in the expansion of telecom infrastructure in the country, are not put in a disadvantageous position *vis-à-vis* private operators.

77. At the time of corporatisation of the erstwhile Department of Telecom Services (DTS) it was assured and agreed to that the pensionery benefits including family pension of the former Government employees absorbed in the new corporation, shall be paid by the Government. Further, the Government shall specify the arrangements and manner including the scale of pensionery contributions to be made by BSNL and the manner in which financial liabilities on this account shall be met. Accordingly, the CCS(Pension) Rules, 1972 was modified. But the Committee finds from the recent budget documents and some other sources that BSNL has been asked to pay the entire amount of pension liability not only for those employees who are absorbed in the BSNL but for existing pensioners also for the year 2002-2003 which will make the company poorer by Rs.800 crore. In view of the fact that BSNL, after inheriting the legacy of DTS, has been hard pressed on so many financial fronts, as has been mentioned elsewhere, it becomes imperative on the part of DoT to pursue the matter earnestly so that the Company does not have to bear the brunt of corporatisation and the liability of the Government to pay the amount of pension is fully discharged.

E. **Physical Target and Achievement (BSNL)**

78. As regards the physical target and achievement of BSNL during the year 2001-2002 and target set for 2002-2003, the following statement was furnished to the Committee:-

2001-2002			**2002-2003**
Target	**Achievement**		**Target**
	Upto Feb. 2002	**As on 31.03.2002**	
Switching Capacity (Lakh lines) **77.6 (including CMTS)**	44.2	62.6	89.14
DELs (Lakh lines) **68.3 (including CMTS)**	37.28	51.0	64.34
TAX capacity (lakh lines) **9.0**	5.645	9.0	10.05
OFC (Rkms) **1,26,000**	55,147	99,620	75,000
Microwave (Rkms) **7,500**	10,174	14,450	5,000

VPTs (Nos) **1,44,000**	48,572	72,000	2,18,000

79. As would be seen from the above statement the Company will fall short in all the schemes excepting Microwave (Rkms) and TAX capacity. In VPTs, out of a target of 1,44,000, BSNL has been able to achieve 72,000 only as on 31 March, 2002. Similarly in switching capacity and Direct Exchange Lines (DELs) the targets (including CMTS) for the year 2001-2002 were 77.6 (lakh lines) and 68.3 (lakh lines) respectively whereas the corresponding anticipated achievements up to 31 March, 2002 have been 62.6 lakh and 51.0 lakh lines. Moreover, in Optical Fibre Cables (OFC) the achievement has been 99,620 Rkms. out of the target of 1,26,000 Rkms.

(i) <u>Village Public Telephones (VPTs)</u>

80. The Committee desired to know why the target date of 31 March, 2002 for completing the setting up the reasons for shortfalls in VPTs. It was replied that due to delay in the supply of equipment from the vendors, inaccessibility of some villages and some teething troubles of WLL technology, the target set for VPTs could not be achieved. It was further stated that the problems of WLL technology were getting sorted out and the technology is likely to be stabilised within the next few months. Monitoring of the achievement of targets is reportedly being done at the level of Minister on quarterly basis and the field units have put in their best efforts to achieve their targets despite the constraints.

81. Dissatisfied with the performance of the Department/BSNL in providing VPTs and more so with the off-repeated reason of non-availability of equipments, the Committee enquired about the concrete measures initiated to ensure optimal achievement of VPT target. In reply, it has been stated that 6 lakh lines of WLL systems are being procured and suppliers are being persuaded to improve the supply of equipments. To cover the remote, hilly and inaccessible villages, satellite terminals have been planned. Moreover, all circles have been asked to do their best to achieve the targets. Achievements are being monitored on weekly basis.

82. The Secretary, DoT supplemented in evidence that although there has been shortfall in achievement of the target in VPTs every year, two positive factors have emerged in 2001-2002. Firstly, the achievement of VPTs in 2001-2002 has been 72,000 which is the highest in any

given year. More importantly the progress is being monitored at the Minister's level practically every month.

83. The Committee asked about the details of efforts put in by private operators in the provision of VPTs i.e., their obligation, performance etc. The Secretary, DoT stated in reply that the obligation of the Private Operators was 98,000 VPTs initially. But as 50,000 VPTs remained uncovered after BSNL's coverage, the Private Operators have been asked to provide at least 50,000 VPTs before the end of the current calendar year.

84. The Committee asked what would happen if the Private Operators again fails to honour their commitments. The Secretary responded that the private operators have been given an option to enter into an arrangement with BSNL where the latter would do the work at the cost of the former because BSNL on its own would not be able to provide Private Operators' share due to resource crunch. Another option that has been offered to the Private Operators is that they could procure the equipment and supply it to BSNL who in turn will install the equipments and charge the installation cost from the Private Operators.

85. Asked to state the penalty provisions in the event of non-performance, the Secretary, DoT replied that liquidated damage to the extent of Rs.93 crore were imposed and realised from the six private operators for non-adherence to the license agreements. He further stated that liquidated damage was not in the context of the total investments to be made because they had to provide certain DELs also. In other words, it was not in the context of the total financial obligations.

86. Referring to its 22nd Report on Demands for Grants for 2001-2002 wherein Committee had recommended cancellation of licenses in the event of their failure to provide the committed VPTs, the Committee asked what was the policy of the Department on the matter. The Secretary replied:-

> "We are trying to find out ways and means of getting it done through them before taking the extreme step because then also we do not get it done through them. So, we have given them time till the end of June (2002) to come with specific and concrete Plan."

87. The Committee poointed out that when the Private Operators have been given the impression that their license would not be cancelled even if they do not perform for years together, they would not simply bother to perform in future also. The Secretary, DoT

emphatically stated that if the private operators did not come out with some concrete proposals by the end of June, 2002, drastic measures would be taken against them.

(ii) Switching Capacity and DELs

88. As has been mentioned above, there have been shortfalls in switching capacity and DELs in the year 2001-02 to the extent of 15 lakh lines and 17 lakh lines respectively. Asked to explain the reasons for such shortfall, it has been stated that shortfall in Switching Capacity and DELs has been mainly due to the reason that 15 lakh switching capacity and 12 lakh DELs were to be provided against the Cellular (CMTs) services. As the awarding of work got delayed, the target was not achieved against the CMTs programme. Excluding cellular, the targets for switching capacity and DELs were 62.6 lakh lines and 56.3 lakh lines respectively against which the achievement is likely to be around 61 and 51 lakh lines respectively.

89. Secondly, in a large number of telecom Circles, the demand is mainly in urban areas and the major waiting list is in rural areas, most of the demands being in far-flung areas. Although steps have been taken by BSNL to give incentives for demand generation in urban areas, it has been assessed that the number of disconnections during this year would be around two million and despite providing more than 7 million gross DELs, the net achievement would be 5.1 million only.

90. Asked to state the reasons for such a large number of disconnections, it has been stated that the main reasons for such disconnections have been due to the requirement of filing of Income Tax return by telephone subscribers, return of the extra telephone lines by those possessing more than one connection and migration from wire line to wireless telephones.

91. It was elaborated that possession of a telephone connection has been included as one of the criterion for filing of Income Tax Return under the 1/6 scheme. Because of this scheme, subscribers not wanting to register with Income Tax authorities, do not apply for fresh telephone connections. Rather there has been large scale disconnection of telephones especially in the rural areas. They are the persons who otherwise do not come within the tax net as agricultural income is not taxable. DoT, in its Budget proposals, has recommended review of the 1/6 scheme and to exclude possession of telephone from the mandatory filing of Income Tax Returns.

92. The Committee then asked about the factors responsible for such large scale surrender of telephones i.e., as much as 20 lakh lines in the year 2001-2002. The Secretary, DoT stated that

two reasons could be attributed for the same. The first is that the second phone that was taken by subscribers earlier is now seen as redundant. Earlier if one phone used to go out of order, one could always fall back on the second phone. Now the level of service has improved and therefore there is no need for the second phone. Secondly, the cellular mobile is preferred as the second phone rather than the fixed phone.

93. The Committee enquired whether any study has been undertaken or just an assumption has been made that people are surrendering their telephones because they are opting for cellular phones. The Secretary, DoT stated that the observation has been based on the feedback that the Department has been receiving from their field functionaries. He admitted that an intensive study on this account has not been done and assured the Committee that the Department would advise BSNL to undertake an indepth study in this regard.

94. Asked to state the measures taken for achieving the DEL targets for the year 2002-2003, it has been stated that action has been taken to order a large amount of WLL equipments to wipe out the waiting list in the rural areas as far as possible. Also, more than 50 per cent of the target for DELs has been assigned to wireless viz., WLL and GSM. Moreover, action has already been taken to order large quantity of equipment, for both wireline and wireless, well in time.

(iii) <u>Optical Fibre Cable (OFC)</u>

95. As indicated above, the achievement of BSNL in laying Optical Fibre Cable during the year 2001-2002 has been 99,620 Rkms against the target of 1,26,000 Rkms. Reasons for non-achievement of the target has been stated to be mainly due to non-availability of pre-lubricated HDPE Pipes.

96. Asked to state the steps taken to overcome the constraints, it has been stated that adequate capacities have now been set up in the country for manufacturing these pipes and therefore there should not be any difficulty in procuring these pipes to achieve the target next year i.e., 2002-2003.

97. The Committee asked in evidence whether by the end of 31 March, 2003, the requirement of laying OFC would be almost completed. The CMD, BSNL replied that there would always be some 30 to 40 thousand Rkms shortfall in OFC. The Secretary, DoT supplemented that to the extent of giving access to individual broadband customers, there would always be the need to lay fibre depending upon the traffic generation for individual customers.

But in the context of the national backbone, by and large, most of the work would be completed by 31 March, 2003.

98. As regards the role of private operators in laying OFC, the Secretary, DoT apprised the Committee that the private sector has been doing both backbone as well as broadband access. They are setting up their own backbone, particularly those who have gone in for National Long Distance (NLD).

99. The Committee asked whether the Department has kept details of what the Private Operators were doing in this regard. The Secretary, DoT replied that the Department has no detailed information in this regard and is trying to obtain it through a management information system.

100. The Committee then asked about the assessment of the Department regarding covering the entire country by OFC. The Secretary, DoT replied that 2,70,000 Rkms have already been covered. By the end of the current financial year, all the villages would be connected either with fibre or radio because that is treated as reliable.

101. The Committee desired to know how many exchanges are yet to be covered with OFC. The Secretary, DoT responded that all the Exchanges have already been covered by reliable media i.e., either by OFC or by Radio. What is required is to provide OFC in the Exchanges where traffic is heavy and even where Radio is already there. Progressively the need for coverage will come down.

102. The Committee is extremely unhappy to note that during the year 2001-2002 BSNL has been able to provide 72,000 VPTs against a target of 1,44,000. Reasons for such shortfall and poor performance have been stated to be delay in the supply of equipment from the vendors, inaccessibility of some of the villages and some teething troubles of the new technology *i.e.* WLL. The Committee is not at all convinced by the oft repeated reasoning in terms of non-receipt of equipment. That six lakh lines of WLL systems are being procured and suppliers are being persuaded to improve the supply of equipment is a matter of little consolation in view of the fact that every year the same assurance has been given without any positive outcome. Although it is a fact that the performance in providing VPTs during the year 2001-2002 has been the highest in any given year, yet it does not deserve any credit in view of 50 percent achievement only. The Committee, therefore, impresses upon the Department/BSNL to take advance measures every year for

timely procurement of equipment so that this already neglected sector does not get a further set back.

103. Here the Committee cannot but refer to the participation of the private sector in the provision of VPTs. It is observed that against an initial obligation of 98,000 VPTs, they have been asked to provide 50,000 VPTs before the end of the current calendar year. Going by their past record, the Committee apprehends that the private operators would hardly fulfil even their reduced contractual obligation. The private operators have thought it prudent to pay one time liquidated damages of Rs.53 crore rather than investing in building infrastructure in which profits are below their expectations. The Committee, therefore, recommends strong measures to compel the Private Operators to honour their commitments within a definite time frame.

104. The Secretary, DoT has assured the Committee that some drastic measures will be taken against the private operators if they do not come out with specific and concrete proposals by the end of June, 2002 so far as provision of VPTs is concerned. Here, it is pertinent to mention that the Department, before its corporatisation, has always assured the Committee that in the event of failure on the part of private operators, it would itself do the job. After corporatisation, the scenario has changed and as according to BSNL, on its own it cannot provide the private operators' quota of VPTs due to financial constraints. In the circumstances, the future has become more uncertain *i.e.* there is no guarantee that private operators will come upto expectation and that BSNL will do it unless it gets the required funds. So in the emerging scenario, rural people will be deprived of their legitimate aspirations. Therefore, it depends upon the Department's ability to extract performance from the private operators failing which stringent and extreme measures should be taken against them.

105. The Committee notes that there has been shortfall in Switching Capacity and DELs in the year 2001-2002 to the extent of 15 lakh lines and 17 lakh lines respectively. Reasons for such shortfall have been stated to be delay in award of work. The Committee is anguished to find that many schemes of the Department are suffering due to procedural delays and feels that such delays could be easily avoided with proper management and timely action.

106. Even excluding the cellular targets, the Department has achieved 61 lakh Switching Capacity and 51 lakh DELs against the target of 62.6 lakh Switching Capacity and 56.3 lakh DELs. Here also the shortfalls are to the tune of 1.6 lakh and 5.3 lakh respectively. Therefore, the above reason for non-achievement of target in Switching Capacity and DELs is not acceptable.

107. Another reason put forward for shortfalls in Switching Capacity and DELs is surrender of telephones to the extent of 20 lakhs during the year 2001-2002. Such surrenders have been stated to be due to the cellular mobile becoming the second phone. However, in the absence of any indepth study, the Committee finds it difficult to subscribe to this view. Therefore, instead of taking recourse to any speculation, the Department should advise BSNL to undertake an indepth study to find out reasons for such large scale surrenders and based upon the findings, appropriate action should be taken.

108. The Committee finds that possession of a telephone connection has been included as one of the criteria for compulsory filing of Income Tax Return under 1/6 scheme. It is stated to be acting as a deterrent for the people, especially in rural area, to own a telephone. The rural people, most of whom have agricultural income, are forced to file IT Return simply because they possess a telephone. In view of the fact that in normal circumstances these people are not required to file IT Return as agricultural income is not taxable, the Committee is of the view DoT's contentions should be kept in mind for wider spread of the telephone network, without of course, encouraging tax evasion.

109. The Committee finds that achievement of BSNL in laying Optical Fibre Cables (OFC) during the year 2001-2002 has been 99,620 Rkms against the target of 1,26,000 Rkms. Here also, non-availability of equipment *i.e.* HDPE pipes is stated to be the reason for shortfall. The Committee has been assured that adequate capacities have now been set up in the country for manufacturing these pipes and there will not be any difficulty in procuring the same to achieve the target next year i.e.2002-2003. The Committee trusts that pre-lubricated HDPE pipes will be procured well in time for achieving the OFC target.

110. The Committee is extremely surprised to find that the Department has not yet started collecting details of the OFC laid by private operators, although these operators have been doing both broadband as well as backbone access. Keeping in mind the

importance of monitoring, especially in the areas where private operators are involved, the Committee urges the Department to immediately start collecting the details of OFC laid and take appropriate measures, wherever warranted.

111. Under the Indian Telegraph Act, 1885 and the rules made thereunder, the private operators have been given the authority to dig up roads for laying cables. Similarly, they are liable to restore the same after the digging work is over. But it is common phenomenon that these operators usually leave the place without proper restoration after digging work is over and no proper monitoring is done to compel them to restore the places. Needless to mention, measures should be initiated in coordination with State Governments to ensure that the private operators do not leave things un-repaired after the completion of laying cables.

E. **North-East Area & Tribal Sub. Plan**

112. The Committee has been furnished the following comparative statement showing physical targets and achievements during the year 2001-2002 and the target set for the year 2002-2003 for North-East Region and Tribal Sub Plan (TSP) separately:-

North-East Region			
Scheme	***2001-2002***		***Tentative Target 2002-2003***
	Revised Target	***Achievement***	
Switching Capacity (Lines)	1,51,200	1,35,166	2,12,000
DELs (Lines)	1,53,500	1,05,490	1,80,000
VPTs (Nos.)	17,508	2,643	5,469
Microwave (Rkms)	650	977	100
OFC (Rkms)	1,000	731	200

Tribal Sub-Plan			
Scheme	***2001-2002***		***Tentative Target 2002-2003***
	Revised Target	***Achievement***	
Telephone Exchanges	300	126	Being Finalised

Switching Capacity (Lines)	4,83,000	2,83,285	3,12,500 *
DELs (Lines)	3,38,000	2,25,013	2,50,000 *
OFC (Rkms)	3,300	4,050	1,000
Microwave (Rkms)	974	Nil * *	600
VPTs (Nos.)	30,280	8,656	5,469 *
* The targets are tentative. Data is being collected from field units for finalisation of targets.			
* * Due to replacement of Microwave schemes by OFC schemes.			

113. As would be seen from above, excepting Microwave scheme in both the areas and OFC scheme in TSP area, there has been shortfall in all other schemes. For example, the target for VPTs in North-East Region and TSP was 17,508 phones and 30,280 phones respectively whereas the corresponding achievement has been 2,643 phones and 8,656 phones only. Similarly, in switching capacity and DELs there have been shortfalls to the extent of 16,000 lines and 48,000 lines in North-East Region and 2 lakh lines and 1.13 lakh lines in TSP.

114. Asked to state the reasons for such slippage in achievement of targets, it has been stated that the main reason for slippage in the North-East has been non-receipt of clearance from Standing Advisory Committee on Frequency Allocation (SACFA).

115. It was elaborated that BSNL proposed to install VPTs on WLL systems in North-Eastern States, J&K as well as in Assam. These VPTs are to be provided with fixed wireless terminals (FWT) on WLL technology. Although necessary equipment has been planned and ordered, the Defence Authorities have not given SACFA clearance for deployment of even FWTs in these States due to security considerations. Therefore, the VPT programme in the States of J&K, Assam, Meghalaya, Tripura, Manipur, Nagaland, Arunachal Pradesh and Mizoram has been severely affected.

116. The Committee desired to know whether the matter has been taken up with the Defence Authorities. It was replied that there have been a number of meetings with the Defence Authorities on the matter suggesting that the forum for Technical clearance i.e., SACFA should not be used to withhold the permission for deployment of suitable technology.

117. The Secretary, DoT stated in evidence that he had a meeting with the Defence Secretary and all the concerned officers wherein he tried to convince them that a fixed terminal can not

move like a limited mobile terminal. Moreover, with the installation of WLL systems the security agencies would get much more access to information than otherwise.

118. In view of the fact that the people of the North-East States were being denied the minimum telephone facilities, the Committee desired to hear the views of the Ministry of Defence and Ministry of Home Affairs in this regard. The representatives of MHA clarified that under the existing security scenario it would be very difficult to allow installation of either cellular or WLL services in North-East and J&K. The Committee pointed out that when the most vulnerable areas of the country *i.e.* the Western and Northern parts could avail of these facilities why the North-East Region, where provision of telecom facilities, especially VPTs is negligible, should be denied the same. The Special Secretary, MHA replied that his Ministry shares the concern of the Committee and it has open mind on the issue, yet the time is very vulnerable to allow installation of WLL systems in North-East.

119. The Secretary, DoT intervened and stated that BSNL has been intending to instal only Fixed Wireless Terminals (FWTs) and not Cellular Mobile or WLL limited mobility for provision of VPTs in North-East. Therefore, it should not create any security problem.

120. The Ministry of Defence officer was asked by the Committee about their area of concern. The representative, MoD replied that his Ministry had reservations in allowing installation of WLL system in Manipur, Nagaland, Tripura, parts of Assam & Meghalaya and not in other parts of the North-East region. But if monitoring access is given to the armed forces, Defence Ministry can consider allowing WLL systems in these areas.

121. The representatives of MHA responded that monitoring is a civilian function and therefore, has been assigned only to six civilian agencies. However, he added that MHA would have no objection in entrusting monitoring responsibility to Defence forces subject to an agreed arrangement to avoid complications.

122. At that point, the Committee pointed out that perhaps some communications gap had crept in between the two Ministries and suggested that the matter should be sorted out amicably and expeditiously for the benefit of the people of North-East. The representatives of MHA, MoD and DoT agreed to the same.

123. The Committee notes that for the year 2001-2002, the target for VPTs for North-East region and Tribal Sub-Plan (TSP) was 17,508 phones and 30,280 phones respectively whereas the achievement has been 2,643 phones and 8,656 phones respectively. Similarly,

in Switching Capacity and DELs there have been shortfalls to the extent of 16,000 lines and 48,000 lines in North-East region and 2 lakh lines and 1.13 lakh lines in TSP. Slippage, especially in North-East, has been due to non-receipt of clearance from Standing Advisory Committee on Frequency Allocation (SACFA) for WLL systems and Fixed Wireless Terminals (FWT). Secretary, DoT's contention, that a fixed terminal cannot move like a limited mobile terminal and with the installation of WLL systems the security agencies will get much more access to information than otherwise, merits consideration. In this context, the Committee finds that the Defence Ministry is willing to give permission for deployment of WLL systems in the North-East region provided it gets the monitoring access. The Home Ministry, on the other hand, considers monitoring is a civilian function. But it has no reservation in entrusting this responsibility to the Defence authorities on an agreed arrangement to avoid complications. DoT stated that since it is planning to install only FWTs for provision of VPTs in the much neglected areas, the forum for technical clearance *i.e.* SACFA should not be used to withhold the permission for deployment of suitable technology. The Committee feels that there has been some communication gap among the three Ministries which requires to be sorted out amicably. While security aspect is of paramount importance and cannot be compromised under any circumstances, people residing in far flung, remote and hilly areas of North-Eastern states should not be denied access to basic communication facilities for all round development when similar systems have been installed in more vulnerable Western and Northern areas of the country.

Waiting List and Teledensity

124. As regards the waiting list all over India, the following statement was furnished to the Committee:

Waiting List (Telephones) as on 31.02.2002				
Sl.No.	CIRCLE/METROS DISTT.	URBAN	RURAL	TOTAL
1.	ANDEMAN/NICOBAR	59	425	484
2.	ANDHRA PRADESH	29219	106119	135338
3.	ASSAM	12632	11582	24214
4.	BIHAR	26902	80683	107585

5.	CHHATTISGARH	6248	2685	8933
6.	GUJARAT	87916	79921	167837
7.	HARYANA	32318	82896	115214
8.	HIMACHAL PRADESH	5093	36933	42026
9.	JAMMU & KASHMIR	36078	7891	43969
10.	JHARKHAND	13657	7857	21514
11.	KARNATAKA	31960	137284	169244
12.	KERALA	180863	594920	775783
13.	MADHYA PRADESH	2991	11303	4294
14.	MAHARASHTRA	66257	191602	257859
15.	NORTHEAST-I	6106	5568	11674
16.	NORTHEAST-II	6513	3595	10108
17.	ORISSA	12214	60599	72813
18.	PUNJAB	70625	108973	179598
19.	RAJASTHAN	28676	114564	143240
20.	TAMIL NADU	46836	27569	74405
21.	UTTARANCHAL	11044	5667	16711
22.	UTTAR PRADESH (E)	23329	59671	83000
23.	UTTAR PRADESH (W)	65164	21633	86797
24.	WEST BENGAL	56883	152793	209676
25.	CALCUTTA	5197	0	5197
26.	CHENNAI	7731	0	7731
	ALL INDIA (Excluding Delhi & Mumbai)	**872511**	**1912733**	**2785244**

125. It may be seen from above that as on 31 January, 2002, the waiting list for new telephone connections (NTCs) was 27,85,244 all over the country (Delhi & Mumbai have reportedly no waiting list). 7,75,783 persons were wait-listed in Kerala followed by 2,57,859 in Maharashtra; 2,09,676 in West Bengal; 1,35,338 in Andhra Pradesh. Bihar, Gujarat, Haryana, Karnataka, Punjab and Rajasthan also have more than one lakh wait listed persons in each State. In this context, the Committee desired to know the reasons for accumulation of such huge

waiting list in the above mentioned circles. In reply, it has been stated that waiting list has been mainly in the rural areas. Most of the urban areas are either already on demand or have very low waiting list and are likely to be on demand during 2002 itself.

126. The Committee pointed out that when it takes months to get a connection what is the use of the concept of Telephone on demand. The Secretary, DoT clarified that it means wherever network is available, it would be given immediately. A reasonable period of time has been prescribed by TRAI to define telephone on demand.

127. The Committee has been apprised that the clearance of the above waiting list has been delayed due to non-availability of WLL systems. Clearance of the waiting list by conventional methods is stated to be not cost effective and involves a lengthy process. Moreover, the provision of telephone connections in rural areas is economically non-viable.

128. Asked to state the specific measures initiated to reduce the waiting lists in various circles, it was replied that for the year 2002-2003 DEL targets have been kept higher for Circles where waiting list is more. Secondly, Circles having longer waiting lists would be provided with more equipments to meet the demand. Moreover, RSUs are being planned to be opened in rural areas to provide DELs on land lines.

129. The Committee categorically asked by what time the waiting list would be liquidated. In reply, the Secretary, DoT and CMD, BSNL assured that they would be able to wipe out the waiting list by the first half of the next financial year i.e., 2002-2003.

130. As regards tele-density of the country, the Committee has been informed that as on 31 December, 2001 it was 3.96, the break up being 11.58 in urban areas and 1.03 in rural areas. In evidence, the Committee asked about the tele-density by the end of 2002, the position in North-East and the preparedness of the Department/BSNL to meet the target of tele-density of 7 by 2005.

131. The Secretary, DoT stated that by the end of 2002, tele-density would be 4.5. He further stated that during the last two to two-and-a-half years the tele-density has practically doubled and that process should continue to meet the target of seven by 2005.

132. Asked to state the position in Assam and North-East, the Secretary, DoT replied that for North-East-I i.e., Meghalaya, Mizoram and Tripura it is 2.62 and for North-East-II i.e., Arunachal Pradesh, Nagaland and Manipur it is 2.11. Assam has a teledensity of 1.65 and

Sikkim 7. The Secretary admitted that except for Sikkim, which is an unusual phenomenon, most of the States in North-Eastern Region have tele-density below the national average.

133. In reply to another query in this regard, the Secretary, DoT stated that his Department has been more than willing to provide the service in North-East Region and force the operators to go there. But in the absence of SACFA clearance, it would be very difficult to provide the required service in that region.

Outstanding Arrears

134. The Committee was informed that the total outstanding dues to be recovered from BSNL's telephone subscribers were Rs.3,791 crore as on 31 December, 2001. In view of such outstanding dues, the Committee enquired how such a huge amount has been accumulated and what is the expectation of recovery etc.

135. The Secretary, DoT responded that the Rs.3791 crore dues consisted of 50 per cent of the current demand and 17 per cent of the previous year's dues. The current recoveries are at the rate of more than 96 per cent. About 67 per cent outstanding dues was expected to be recovered within the next few months.

136. The Committee asked how much outstanding dues were deemed to be non-recoverable. The Secretary replied that in about 2.5 per cent cases where dues have been accumulated beyond ten years, recovery is now impossible. He added that it would be a lengthy procedure before it could be written off. He further clarified in reply to another query in this regard that the defaulting subscribers are asked to pay up the outstanding dues failing which notices are given and disconnection takes place within two months time.

137. During a study visit to Raipur, the Committee was apprised that Chhatisgarh Telecom Circle has been taking the help of Police Personnel to recover outstanding dues from the subscribers. A fixed percentage of commission is being given to the Police force on this account. In that context, the Committee asked whether the help of the Police Personnel has been taken under the rules and what has been the outstanding dues in the Chhattisgarh Telecom Circle.

138. In reply, it was stated that where the Department failed to recover outstanding dues from the defaulters, the BSNL Board has authorised the Circles to utilise the services of the State Govt. Departments including the Police and Revenue authorities for their recovery. A

commission of up to 1.5 per cent of the recovered amount may be paid to the concerned Department. The outstanding dues in Chhattisgarh Telecom Circle was stated to be Rs. 21 crore.

139. The Committee observes that as on 31 January, 2002, the waiting list for new telephone connections (NTCs) was 27,85,244 all over the country out of which 7,75,783 was in Kerala; 2,57,859 in Maharashtra; 2,09,676 in West Bengal; 1,35,338 in Andhra Pradesh and more than one lakh in some other Circles. The Committee is perturbed to note that when the clearance of waiting list by conventional methods is not cost effective, sincere efforts were not being made to procure WLL equipment expeditiously. Needless to say, utmost attention is required towards that aspect so that the long pending waiting list, especially in rural areas, is reduced to greater extent. The Committee trusts that the assurance given by the Secretary, DoT and CMD, BSNL to wipe out the waiting list by the first half of 2002-2003 financial year, will be strictly implemented.

140. The Committee notes that the tele-density of the country was 3.96 *i.e.* 11.58 in urban areas and 1.03 in rural areas at the end of December, 2001. In North-East-I *i.e.* Meghalaya, Mizoram and Tripura, it was 2.62 and for North-East-II *i.e.* Arunachal Pradesh, Nagaland and Manipur, 2.11 while in Assam, it was 1.65. The projection of tele-density by the year 2005 is 7. In this context, the Committee observes that during the last two-and-a-half-years, the tele-density has practically been doubled. In view of the fact that tele-density in the rural areas in the country as well as the North-East region is below the national average, as admitted by the Secretary, DoT in evidence, the Committee desires that the momentum gathered during the last two-and-a-half-years should continue in future also to meet the target of 7 by the year 2005.

141. The Committee is highly concerned to note that the total outstanding dues to be recovered from BSNL's telephone subscribers was Rs. 3,791 crore at the end of December, 2001. Although 67 percent of the outstanding dues will be recovered within the next few months, as stated by the Secretary, DoT, yet around Rs. 1,250 crore will still remain as outstanding dues. Moreover, in about 2.5 percent cases where dues have accumulated beyond ten years, recovery seems to be impossible. In view of the fact that BSNL's rural telephony programme is going to suffer due to resource crunch in the coming years, the Committee desires that all out efforts should be made to recover as much outstanding dues as possible in a prescribed time frame.

MTNL

142. The following statement showing the target and achievement of MTNL, Delhi and Mumbai separately for the year 2001-2002 and the target set for 2002-2003 has been furnished to the Committee.

Sl. No	CRITERIA	Target		Achievement upto 28.02.2002		Target for 2002-2003		
		Delhi	Mumbai	Delhi	Mumbai	Delhi	Mumbai	Total
	PHYSICAL							
1.	Addition of Net Switching Capacity	1,65,000	1,65,000	204196	172590	150K	Nil	150K
2.	Direct Exchange Lines (DELs)	1,25,000	1,25,000	86122	15445	90K	20K	110K
3.	Achieve GSM Mobile subscriber base	50,000	50,000	61498	77560	80K	120K	200K
4.	New TAX lines	70,000	20,000	45000	0	30K	20K	50K
5.	Deployment of "WILL" to reduce TNF	---	50,000	---	50,000	50K	50K	100K

143. As would be seen from above, during the year 2001-2002, target for DELs for MTNL Delhi and Mumbai was 1,25,000 each. Upto 28 February,2002 Delhi has achieved 86,122 whereas Mumbai's achievement has been only 15,445. Similarly, in new TAX lines the achievement of Delhi has been 45,000 out of the target of 70,000 whereas Mumbai has not achieved a single new TAX line out of its earmarked target of 20,000.

144. Asked to state the reasons for above cited shortfalls, it was replied that due to large scale surrender of telephones on economic grounds, surrender of additional telephones, disconnection

of telephones due to non-payment, migration to mobile technology due to competitive rates etc., the target in the above mentioned schemes could not be achieved.

145. In view of above, the Committee desired to know the measures taken to optimally achieve the target during the year 2002-2003. It was replied that registration charges have been waived for new telephone connections to attract more customers; installation charges have been waived for short duration; first bill is being charged in three installments etc.

146. The Committee then asked about the waiting list in MTNL, Delhi and Mumbai. It was replied that there has been no waiting list in Delhi and Mumbai but some OBs are pending due to some areas being technically not feasible (TNF).

147. The Committee queried what measures have been initiated to give new connections in TNF areas. In reply, it was stated that several measures have been initiated for the purpose. These include laying of new underground jelly filled cables, installation of more number of Remote Switching Units (RSUs), introduction of WLL, Digital Loop Carriers (DLCs) and Cordect Systems in access network, rearrangement of existing cables etc.

148. The Committee pointed out that fault rate in Delhi has been almost highest in the country and asked about the measures initiated to bring it down. In reply, it has been stated that there has been improvement in curbing the fault rate in Delhi. For example, in 1999 the fault rate in Delhi was 29.07 per 100 phones which came down to 28.44 in 2000 and further to 21.28 in 2001. Conversion of pole mounted DPs to internal wall type DPs, rearrangement of DPs and pillars, ties straightening at MDFs, using proper accessories with drop wire, replacement of paper core underground cables by JFCs/OFCs, introduction of WLL and DLL systems in the Customer Access Network etc. have been stated to be some of the measures initiated to rehabilitate the external plant thereby reducing the fault rate in Delhi. In addition to the above mentioned measures, MTNL has reportedly liberalised the policy to replace all telephone instruments older than 5 years or repaired more than twice. This is being implemented in phases and in the first phase, instruments more than eight years old are being replaced.

149. The Committee observes that during the year 2001-2002, target for DELs for MTNL Delhi and Mumbai was 1,25,000 each. Upto 28 February, 2002 Delhi has achieved 86,122 whereas Mumbai's achievement has been only 15,445. Similarly, in new TAX lines the achievement of Delhi has been 45,000 out of the target of 70,000 whereas Mumbai has not achieved a single new TAX line out of its earmarked target of 20,000. Reasons for

such shortfalls in the achievement of target have been stated to be large scale surrender of telephones, disconnection of telephones due to non-payment of dues, migration to mobile technology due to competitive rates etc. In this context, the Committee observes that a number of measures like waiving of registration charges for new connections, charging the first bill to avoid disconnection etc. have been taken to overcome the constraints. The Committee feels that these are steps in right direction and should be continued in future also alongwith other innovative measures not only to check surrender of telephones but to achieve the earmarked targets also. This is also required, in view of the entry of Private BSOs into the arena.

150. The Committee is happy to note that there has been no waiting list in Delhi and Mumbai. However, some OBs are pending pertaining to technically non-feasible (TNF) areas. Therefore, laying of new underground jelly filled cables, installation of more number of Remote Switching Units (RSU), introduction of WLL, Digital Loop Carriers (DLC) etc. need to be intensified so that telephone connections are not delayed on the grounds that certain areas are marked Technically Non-Feasible.

151. The Committee is concerned to note that fault rate in Delhi was as high as 29.07 per 100 phones in 1999 and 28.44 in 2000. Although the fault rate has come down to 21.28 in 2001, yet it is still on a very higher side and may be the worst in the entire country. The Committee fails to understand why the fault rate has continued to remain so high despite MTNL taking recourse to a number of corrective measures like conversion of pole mounted DPs to internal wall type DPs, rearrangement of DPs and pillars, using proper accessories with drop wire, introduction of WLL, DLC systems, replacement of telephone instruments every five years etc. The Committee, therefore, recommends that the measures taken to curb fault rate in Delhi should be further strengthened and greater importance be accorded to bring attitudinal changes in the behaviour of MTNL employees, otherwise, MTNL's customer base in Delhi may further reduce in the coming years with the entry of private operators.

ITI LTD

152. A perusal of the Performance Budget revealed that upto November, 2001, ITI has not been able to achieve the targets for the year 2001-2002 in such important schemes like C-DoT

Switches, WLL systems etc. Asked to state the reasons for such shortfalls, the Committee was apprised in evidence that by the end of 31 March, 2002, ITI would be able to meet the targets in various schemes. The Secretary, DoT and the CMD, ITI further stated that during the said year ITI has actually exceeded the target in C-DoT Switches and WLL systems *i.e.* against the target of 820 C-DoT Switches, ITI has supplied 1,220 and against the target of 100 kilo lines of WLL systems ITI has supplied 136 such kilo lines. They also stated that ITI has achieved the production turnover of Rs. 2,300 crore during the year 2001-2002.

153. The Committee desired to know the measures that have been initiated by the Company to sustain competition from the MNCs. In reply, it has been stated that product portfolio was being expanded from product manufacturing to Turnkey projects/total solution provider; IT projects had been diversified as a total solution provider for DoT, Defence, Home Ministry, Railways and Police; Staggered delivery from vendors were being asked for to minimise internal inventories and Aggressive marketing was being made for obtaining orders from DoT, Defence, Railways etc.

154. The Committee then asked about the patronage extended by DoT to ITI in view of its turn around a few years back. In reply, it has been stated that the following benefits were being extended to ITI:-

(a) Continuation of 30 percent reservation quota for the orders by Telecom PSUs.
(b) Continuation of 75 percent advance against the orders against Reserved Quota by Telecom PSUs.
(c) Providing Government guarantee to raise Rs. 50 crore Bonds towards VRS.
(d) Support for increasing the Authorised Capital by Rs. 100 crore by infusion of Preferential Shares from PSUs of DoT.
(e) Grant for loss incurred in Srinagar Plant of ITI amounting to Rs. 4.18 crore.
(f) Acceptance of Corporate Guarantee in lieu of Earnest Money Deposit/Security Deposit.

155. On being asked how the surplus manpower of the Company has been utilised, the Secretary, DoT stated that due to the venture of the Company into cellular mobile, Turnkey projects, after sales service, annual maintenance contract of WLL systems etc. the surplus manpower of the Company was expected to be properly utilised.

156. As regards controversies about the supply of 900 kilo lines reservation quota against BSNL's requirements of 2001-2002, the Committee has been apprised that on 6 December, 2000, Advance Purchase Order (APO) was issued to ITI for supply of 900 KL. While the APO was issued on provisional prices based on the tender price of 2000-01 tender *i.e*. Rs. 1,978.84 per line, such provisional prices were to be firmed up after taking into consideration prices of 2001-02 or 2000-01 tender, whichever is lower, as per the terms of the APO. ITI unconditionally accepted the APO and represented later against the Clause of 'whichever is lower prices' and requested BSNL to apply 2001-02 tender prices. The total implication on this will be around Rs. 65.25 crore.

157. The Committee desired to hear the view of the Secretary, DoT in this regard. He replied that supplying equipment at the price of Rs.1,978.84 per line had hit ITI very badly for which they had asked for a support of Rs. 63 crore from BSNL. He admitted that if ITI does not get this amount, it will face problem and at the same time it would create problem for the Department in case it gives support.

158. In reply to a query, the Department's representative stated that there is no proposal for the disinvestment of shares or of privatisation of ITI Ltd. in view of its improved performance and its capacity to manufacture sophisticated instrument.

159. The Committee has been informed that the major portion of the ITI's expenditure is wages to employees. The Company has a work force of 21,600 employees as on date in its seven manufacturing units and Regional Sales and Service Centres spread all over the country. ITI, realising the need for reducing its work force, had introduced VRS from the year 1991-92 onwards. In this context, the Committee has been apprised that since then the Company has incurred an expenditure of Rs.131.06 crore towards VRS, but has received an amount of Rs.54.11 crore from the National Renewal Fund (NRF) leaving a balance of Rs.76.95 crore. The matter has been taken up with DoT.

160. The Committee is happy to know that during the year 2001-2002 ITI has supplied 1,220 C-DoT Switches against an order of 820 such Switches. Similarly, the Company has been able to supply 136 KL WLL systems against an order of 100 KL such systems. Moreover, it has achieved the production turn over of Rs. 2,300 crore during the same year. In this context, the Committee finds that a few patronage like continuation of 30 percent reservation quota, continuation of 75 percent advance against the orders,

Government guarantee to raise Rs. 50 crore Bonds towards VRS etc. are being extended to the Company for its survival. The Committee desires that such patronage should be extended unabated to enable the Company to supply the orders in time which in turn will further stabilise the Company financially.

161. The Committee is also satisfied to note that ITI has been taking a number of measures and diversifying into new products to sustain the competition from the MNCs. Moreover, the Company's surplus man power are appropriately utilised in ITI's new venture in Cellular Mobile, Turnkey Projects and after sales services etc. The Committee feels these are appropriate measures for the sustenance of the Company and should be continued in coming times also.

162. The Committee notes with satisfaction that there is no proposal at present of privatisation of ITI Ltd. or of disinvestment of its shares.

163. The Committee is concerned to note that ITI will face a financial loss of Rs. 65.25 crore against a purchase of 900 KL in case it is made to supply the order at Rs. 1,978.84 per line as per the 2000-2001 tender. Therefore, the clause 'whichever is lower prices' between the years 2000-2001 and 2001-2002, as per the condition of BSNL, merits review in view of the long term prospects of the Company and also the fact that healthy existence of this public sector company will provide competitive environment for telecom products which will benefit BSNL and MTNL immensely as well as its financially vulnerable position. Therefore, the Committee impresses upon the Department to ensure that this adverse financial implication on ITI is avoided.

164. The Committee is concerned to note that ITI having a huge work force of 21,600 employees, has incurred an expenditure of Rs.131.06 crore towards Voluntary Retirement Scheme (VRS) since 1991-92. But the Company has been reimbursed an amount of Rs.54.11 crore only, leaving a balance of Rs.76.95 crore. With prices falling year after year for the product manufactured by the Company and the volume of production not increasing substantially in the areas where manual labour is relevant, encouraging work force to opt for voluntary retirement has become an essential feature for the growth of the Company. ITI which has turned around very recently will be hit very hard financially if the balance Rs.76.95 crore towards VRS is not reimbursed to it. In view of the above, the

Committee recommends DoT to vigorously pursue the matter at the appropriate level so that the Company gets the necessary fiscal relief for its sustenance.

C-DoT

165. The Committee has been informed that the highlight of C-DoT's performance during the year 2001-2002 include production of production of more than 30 lakh lines of C-DoT Switching Equipment (MAX-XL/SBM RAX/256P RAX) during April, 2001 to February, 2002, bringing the cumulative total to 238 lakh lines by the C-DoT Licensees; 165 numbers of C-DoT TDMA-PMP systems were manufactured and dispatched by C-DoT licensees for use in BSNL network, bringing the total of such systems to 194 and Export of C-DoT TDMA-PMP system to Nigeria and Nepal (one system each) through TCIL & ITI. It has also made various achievements in technology transfer, intelligent network, Indian Mobile Personal Communication Service (IMPCS), Asynchronous Transfer Mode (ATM) etc.

166. To a specific query, the Committee was informed that C-DoT has been fully supported by the Government in meeting its budget requirements. For rest of its operations, C-DoT has been giving a lot of autonomy by the Government.

167. The Committee desired to know whether C-DoT has been still encountering attrition of trained manpower. In reply, it was stated that the attrition rate of trained manpower at C-DoT has come down appreciably. This is due to global slow down of the economy which resulted in manpower layoffs, particularly in the IT sector. The representative of C-DoT apprised the Committee in evidence that during the financial year 2000-2001, the staff strength of C-DoT was 1,119. In the same year 362 fresh engineers were recruited out of whom 304 resigned leaving the staff strength at 1,177. In the year 2001-2002, 141 engineers were recruited out of which 127 left. However, during the year 2002-2003, there has been some drop in attrition because of global slow down.

168. The Committee is glad to note that during the year 2001-2002, C-DoT has made various achievements in production of Switching equipment and TDMA-PMP systems, technology transfer, intelligent network, IMPCS, ATM etc. It is also heartening to note that Government is extending full support and autonomy to C-DoT in pursuance of its

activities. The Committee hopes that such patronage to the premier research centre will continue uninterrupted in future also.

169. In this context, the Committee cannot but refer to its 18th Report on "Working of C-DoT" wherein it was observed that DoT has directed C-DoT to make amendments to its bye-laws. The Committee hopes this review of bye-laws does not impinge on the functional autonomy of C-DoT.

170. The Committee notes that the attrition rate of trained manpower of C-DoT has come down appreciably in 2002-2003 *vis-à-vis* the previous two years when as many as 431 trained engineers left the Organisation. But the Committee would like DoT and C-DoT to guard against any complacency in this regard as this slow attrition rate is transitory and soon hit back the Organisation again when the global position changes. Therefore, adequate precautionary measures are warranted in this regard. The Committee also desires that C-DoT should be provided with adequate back up facilities for research and in its endeavour to design and develop various critical components.

New Delhi
12 April, 2002
22 Chaitra, 1924 (Saka)

SOMNATH CHATTERJEE,
CHAIRMAN,
STANDING COMMITTEE ON INFORMATION TECHNOLOGY